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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:	:	Chapter 11
	:	
LEHMAN BROTHERS HOLDINGS INC., et al.,	:	Case No. 08-13555 (JMP)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----X	:	

**OBJECTION AND RESERVATION OF RIGHTS OF FEDERAL HOME LOAN  
MORTGAGE CORPORATION TO MOTION OF THE DEBTORS, PURSUANT TO  
RULE 9019 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND  
SECTION 363 OF THE BANKRUPTCY CODE, FOR APPROVAL OF (I) A  
SETTLEMENT AGREEMENT BETWEEN THE DEBTORS AND AURORA BANK FSB  
REGARDING THE MASTER FORWARD AGREEMENT AND OTHER MATTERS  
AND (II) CERTAIN OTHER RELATED RELIEF, INCLUDING AUTHORIZATION OF  
(A) CERTAIN DEBTORS TO MAKE CAPITAL TRANSFERS, (B) LBHI TO ENTER  
INTO A CAPITAL MAINTENANCE AGREEMENT, AND (C) LBHI TO EXTEND THE  
DURATION OF THE AMENDED REPURCHASE AGREEMENT AND FINANCING  
FACILITY**

Federal Home Loan Mortgage Corporation in Conservatorship (“Freddie Mac”), by and through its undersigned counsel, hereby submits this reservation of rights and objection regarding the motion (the “Motion”) of Lehman Brothers Holdings Inc. (“LBHI”) and its affiliated debtors in the above-referenced chapter 11 cases (collectively, the “Debtors”), Pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure and Section 363 of the Bankruptcy Code, for approval of (i) a settlement agreement between the Debtors and Aurora Bank FSB regarding the Master Forward Agreement and other matters (hereinafter, the “Settlement Agreement”) and (ii) certain other related relief, including authorization of (a) certain debtors to make capital transfers, (b) LBHI to enter into a Capital Maintenance Agreement, and (c) LBHI to extend the duration of the Amended Repurchase Agreement and Financing Facility, and respectfully represents as follows:

1. Freddie Mac is the owner of many thousands of mortgage loans that LBHI services for Freddie Mac under the terms and conditions of a certain mortgage selling and servicing contract (the “Freddie Mac Servicing Contract”) between Freddie Mac and LBHI. LBHI has contracted with Aurora Loan Services, LLC (“ALS”) to subservice the loans. Freddie Mac has filed proofs of claim against LBHI, arising from, among other things, loan servicing related obligations.<sup>1</sup> Specifically, Freddie Mac’s potential exposure to LBHI for servicing related obligations due Freddie Mac, including repurchase obligations, as of June 30, 2009, is estimated to be approximately \$868.6 million (Proof of Claim No. 33576).

2. LBHI has filed the Motion seeking, among other things, to transfer to

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<sup>1</sup> Freddie Mac also filed proofs of claim against LBHI and Lehman Brothers Special Financing, Inc., arising from, inter alia, fund transfers, derivative contracts and guarantees. Freddie Mac reserves all rights and nothing herein shall be construed as an admission or waiver of any rights or claims that Freddie Mac may be entitled to assert.

ALS “all right, title and interest of LBHI in and to all residential mortgage servicing rights (including any mortgage servicing agreements under which LBHI has any such rights) with a government sponsored entity (“GSE”) (either for loans directly owned by a GSE or held in a securitization sponsored by a GSE) owned by LBHI on the Closing Date but only if the loans subject to such mortgage servicing rights are currently being serviced by ALS, either as master servicer, servicer or subservicer (the “GSE Servicing Rights”), free of all liens and encumbrances except as otherwise agreed by Aurora. ...” See Exhibit A of the Motion, Settlement Agreement, 2(F). Freddie Mac is a GSE within the meaning of the Motion and Settlement Agreement and, on information and belief, LBHI’s Motion to transfer the GSE Servicing Rights means, as applied to Freddie Mac, that it wishes to transfer its rights and obligations under the Freddie Mac Servicing Contract to ALS.

3. As set forth in the Motion and Settlement Agreement, however, the proposed transfer of the Freddie Mac Servicing Contract would apparently not include LBHI’s obligation thereunder to repurchase mortgages not meeting the Freddie Mac standards. See Exhibit A of the Motion, Settlement Agreement, 2(F) (“ALS shall assume all obligations of LBHI under the GSE Servicing Rights (including any such mortgage servicing agreements), provided that ALS shall not assume, and LBHI shall, subject to Section 6(c), indemnify and hold Aurora and ALS harmless against, any liabilities resulting from or arising out of (1) the sale of such loans by LBHI to the applicable GSE (including, without limitation, any repurchase, indemnification or retained loss obligations of LBHI) or (2) any such mortgage servicing agreements on or prior to the effective date of the transfer of such mortgage servicing agreements to Aurora or ALS.”)

4. Pursuant to the Freddie Mac Servicing Contract, Freddie Mac retains the absolute right to approve and transfer of servicing and the terms and conditions thereof. The Settlement Agreement acknowledges this right and specifically states in this regard that “the transfer of the GSE Servicing Rights by LBHI, and the acceptance and assumption thereof by ALS, shall be subject to the approval of the appropriate GSE ... .” To date, however, on information and belief, Freddie Mac individuals who would ultimately have to approve such a transfer have not been contacted with respect to the subject matter of the Motion. Accordingly, Freddie Mac files the instant response to reserve all of its rights to object to LBHI’s transfer of its residential mortgage servicing rights with Freddie Mac to ALS.

5. In addition, Freddie Mac objects to that portion of the Settlement Agreement wherein LBHI agrees to transfer and assign to ALS “all income attributable to or derived from such excluded mortgage servicing rights” “in the event that the GSE, by the Closing Date, shall not have approved such transfer or shall have objected to the transfer of any such mortgage servicing rights to ALS ... .” See Exhibit A of the Motion, Settlement Agreement, 2(F). Freddie Mac believes that such an assignment could effectively accomplish an end-run around Freddie Mac’s approval rights – by making ALS the servicer of the Freddie Mac loans for purposes of receiving 100% of the income earned thereunder, while any obligations (i.e., repurchases of loans not meeting representations and warranties contained in the Freddie Mac Servicing Contract) would remain with LBHI.

6. Therefore, until Freddie Mac has had an opportunity to further review this matter and to speak with the appropriate LBHI and/or ALS person(s) regarding the details of LBHI’s transfer of the residential mortgage servicing rights with Freddie Mac to ALS, Freddie Mac respectfully requests that the portion of the Settlement Agreement which would allow LBHI to

transfer and assign to ALS all income attributable to or derived from such excluded mortgage servicing rights with Freddie Mac be denied.

7. Freddie Mac reserves all of its rights to file additional pleadings with the Court with respect to the issues raised in the Motion and this Objection and with respect to all other matters concerning the Freddie Mac Servicing Contract. Nothing herein constitutes a waiver of any of Freddie Mac's rights or claims against the Debtors, and Freddie Mac hereby reserves all such rights.

Dated: September 17, 2010  
New York, New York

Respectfully Submitted,

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